

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Linden</b>	County <b>Genesee</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/11/05</b>	Date Accountant Report Submitted to State: <b>10/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney PC</b>			
Street Address <b>3511 Coolidge, Suite 100</b>		City <b>East Lansing</b>	State <b>MI</b>
		ZIP <b>48823</b>	
Accountant Signature <i>Abraham &amp; Gaffney, P.C. Aaron M. Jones</i>			Date <b>10/25/05</b>

**City of Linden  
Genesee County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2005**

City of Linden

Genesee County, Michigan

June 30, 2005

CITY COUNCIL AND ADMINISTRATION

David Lossing

Mayor

Patti O'Dwyer

Mayor Pro-Tem

Ray Culbert

Council Member

Diane Eldred

Council Member

Ed Ciesielski

Council Member

Tom Brady

Council Member

Graham Morgan

Council Member

\* \* \* \* \*

Dale L. Martin

City Manager

Gloria Kirshman

Treasurer

City of Linden

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Principals

Dale J. Abraham, CPA  
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Linden  
Linden, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005 on our consideration of the City of Linden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linden's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 11, 2005

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

This discussion and analysis of the City of Linden's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,271,711 (net assets). Of this amount, \$1,904,448 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$119,296.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,642,618. Of this total, \$854,348 is available for spending at the government's discretion (unreserved fund balance).
- For the General Fund, unreserved fund balance at the end of the current fiscal year was \$527,232, or approximately twenty-six percent of total General Fund expenditures and other financing uses.
- The City entered into an installment purchase agreement during the year for \$325,500 for purposes of financing the purchase of a parking lot.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Linden's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including administration and recreation), public safety, and public works. The business-type activities of the City include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 1-2 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Major Street Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located in the "Other Supplementary Information" section of the report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

*Proprietary funds.* The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for motor pool operations. Because this service benefits both governmental and business-type functions, it has been allocated between *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the City. The motor pool internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 7, 9, and 11-12 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 31 of the report.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Linden, assets exceeded liabilities by \$5,271,711 at the close of the most recent fiscal year.

This amount is a decrease from the prior year of approximately \$1.3 million. The primary reason for the substantial decrease in net assets is due to prior period adjustments being recorded which reduced capital assets net of accumulated depreciation. This reduction was necessary because the historical capital assets records included assets that could not be substantiated with supporting documentation and/or were not being depreciated appropriately.

Still, a significant portion of the City's net assets (10%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Linden's Net Assets**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b>Assets</b>						
Current and other assets	\$2,828,772	\$2,554,873	\$1,991,193	\$2,472,538	\$4,819,965	\$5,027,411
Capital assets	3,760,783	4,147,201	5,403,722	4,302,282	9,164,505	8,449,483
Total assets	6,589,555	6,702,074	7,394,915	6,774,820	13,984,470	13,476,894
<b>Liabilities</b>						
Current	142,808	512,091	127,215	462,766	270,023	974,857
Noncurrent	3,285,280	2,885,742	3,856,692	4,344,584	7,141,972	7,230,326
Total liabilities	3,428,088	3,397,833	3,983,907	4,807,350	7,411,995	8,205,183
<b>Net Assets</b>						
Invested in capital assets-						
net of related debt	655,995	903,516	1,547,030	(373,112)	2,203,025	530,404
Restricted	612,671	1,006,067	247,927	169,311	860,598	1,175,378
Unrestricted	1,892,801	1,394,658	1,616,051	2,171,271	3,508,852	3,565,929
Total net assets	<b>\$3,161,467</b>	<b>\$3,304,241</b>	<b>\$3,411,008</b>	<b>\$1,967,470</b>	<b>\$6,572,475</b>	<b>\$5,271,711</b>

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

City of Linden's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 609,065	\$ 468,096	\$ 1,277,148	\$ 1,025,713	\$ 1,886,213	\$ 1,493,809
Operating grants and contributions	317,076	189,223	-	-	317,076	189,223
Capital grants and contributions	761,311	101,604	281,424	-	1,042,735	101,604
General revenues:						
Property taxes	950,134	1,038,765	-	-	950,134	1,038,765
State Revenue Sharing	264,263	244,491	-	-	264,263	244,491
Investment earnings	29,793	86,429	20,300	34,773	50,093	121,202
Miscellaneous	526	40,239	-	-	526	40,239
Total revenues	2,932,168	2,168,847	1,578,872	1,060,486	4,511,040	3,229,333
<b>Expenses</b>						
General government	1,011,407	962,868	-	-	1,011,407	962,868
Public safety	594,177	703,607	-	-	594,177	703,607
Public works	260,380	305,151	-	-	260,380	305,151
Recreation and cultural	-	13,297	-	-	-	13,297
Sanitary sewer	-	-	641,109	593,817	641,109	593,817
Water	-	-	416,785	393,858	416,785	393,858
Interest on long-term debt	132,887	137,439	-	-	132,887	137,439
Total expenses	1,998,851	2,122,362	1,057,894	987,675	3,056,745	3,110,037
Change in net assets	933,317	46,485	520,978	72,811	1,454,295	119,296
Net assets, beginning of year (restated)	2,228,150	3,257,756	2,890,030	1,894,659	5,118,180	5,152,415
Net assets, end of year	<u>\$ 3,161,467</u>	<u>\$ 3,304,241</u>	<u>\$ 3,411,008</u>	<u>\$ 1,967,470</u>	<u>\$ 6,572,475</u>	<u>\$ 5,271,711</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$46,485, after a restatement of the beginning net assets. Key elements of this increase are as follows:

- Property taxes represent the largest source of revenue for the governmental activities of the City. Property tax revenue increased by \$88,631 (9.3 percent) during the year. This increase is predominantly the result of significant and continuing residential growth in addition to increased taxable values.
- Capital grants and contributions decreased by \$659,707 (86.7 percent) as the City's infrastructure projects were completed.
- Total expenses related to the governmental activities increased by \$123,511 (6.2 percent), a portion of which is attributed to the completion of the infrastructure projects.

**Business-type activities.** Business-type activities increased the City's net assets by \$72,811, after a restatement of the beginning net assets. The prior year saw an increase in the business-type activities net assets of \$520,978. The most significant element of the decrease in the change in net assets was a result of fewer taps to the systems during the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-terms inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,642,618, a decrease of \$50,738 in comparison with the prior year. Approximately half of this amount (\$854,348) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for specific capital projects or for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$527,232. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at of June 30, 2005, represented 26% of total General Fund expenditures and other financing uses.

The fund balance of the City's General Fund decreased by \$78,576 during the current fiscal year. This was primarily attributable to engineering fees for a road project (which will be reimbursed with bond proceeds, the purchase of new radios for public safety, and matching funds required for a Department of Homeland Security grant.

The Major Street Fund (the City's other major governmental fund) had a fund balance of \$274,041 at the close of the fiscal year. This was an increase of \$7,654 from the prior year. This was primarily attributable to bond proceeds which had been received for the construction of a new parking, but said construction was not completed.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Funds at the end of the year amounted to \$1,313,025 and \$842,420, respectively. The most recent fiscal year's activities increased the net assets of the Sewer Fund by \$81,266; however the most significant change in net assets was a restatement of capital assets, net of accumulated depreciation of \$1,432,425, to correct the capital asset records. Similarly, the most recent fiscal year's activities decreased the net assets of the Water Fund by \$8,006; however the most significant change in net assets was a restatement of capital assets, net of accumulated depreciation of \$83,924, to correct the capital asset records. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Differences between the original and final amended budgets for expenditures were relatively minor.

Budget to actual comparisons for the City's General Fund were generally favorable, although to varying degrees.

**Capital Asset and Debt Administration**

*Capital assets.* At the end of the fiscal year, the City had approximately \$8,449,000 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The total increase in the City's investment in capital assets for the fiscal year was approximately \$705,000.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Major capital asset expenditures during the fiscal year included the following:

- The purchase of a new utility vehicle.
- The construction of a new parking lot.

**City's Capital Assets**  
(net of depreciation)

	Governmental Activities	Business- type Activities	Total
Land	\$ 84,069	\$ 7,027	\$ 91,096
Infrastructure	1,377,129	-	1,377,129
Buildings and improvements	537,876	2,100,394	2,638,270
Systems	-	2,194,861	2,194,861
Equipment	570,715	-	570,715
Construction in progress	<u>1,577,412</u>	<u>-</u>	<u>1,577,412</u>
Capital assets, net	<u>\$ 4,147,201</u>	<u>\$ 4,302,282</u>	<u>\$ 8,449,483</u>

Additional information on the City's capital assets can be found in Note E on pages 21-22 of this report.

*Long-term Debt.* At the end of the most recent fiscal year, the City had total debt outstanding of \$7,956,511. Of this amount, \$5,664,662 represents bonds secured solely by specified revenue sources (i.e., revenue and special assessment bonds), \$1,550,000 represents general obligation bonds, \$704,417 represents installment contracts, and \$37,432 represents accrued compensated absences.

**City's Outstanding Debt**

	Governmental Activities	Business- type Activities	Total
Revenue/Special assessment bonds	\$ 1,250,000	\$ 670,000	\$ 1,920,000
General obligation bonds	1,289,268	4,005,394	5,294,662
Installment contracts	704,417	-	704,417
Accrued compensated absences	<u>37,432</u>	<u>-</u>	<u>37,432</u>
Total outstanding debt	<u>\$ 3,281,117</u>	<u>\$ 4,675,394</u>	<u>\$ 7,956,511</u>

The City's total debt increased by \$814,539 (11 percent) during the fiscal year, with the addition of the parking lot installment contract (\$325,500), the water well house bonds (\$137,000), and the capital improvement bonds (\$950,000) and debt payments being the primary changes during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$11,693,370, which significantly exceeds the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note F on pages 23-27 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Current Economic Factors**

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- The continuing negative impact of the combined effects of the Headlee Amendment and Proposal A upon the City's ability to levy charter-authorized millage.
- The continuing decline of community revenue provided by the State of Michigan.
- The continuing escalation of health care costs.
- The continuing policy decisions of federal and state officials that create "unfunded mandates" for local governments (e.g. arsenic treatment for water systems).
- The increasing percentage of expenditures devoted to debt service as a result of previous project financing.
- The anticipated modest increase in revenue as the result of population growth from 2000 to 2005.

**Requests for Information**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk at P.O. Box 507, Linden, Michigan 48451.

## **BASIC FINANCIAL STATEMENTS**

City of Linden

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,282,970	\$ 1,299,155	\$ 2,582,125
Investments	142,917	716,882	859,799
Receivables	963,955	244,360	1,208,315
Internal balances	(15,826)	15,826	-0-
Due from other governmental units	79,445	-	79,445
Inventories	-	26,850	26,850
Prepays	3,185	-	3,185
Total current assets	2,456,646	2,303,073	4,759,719
Noncurrent assets			
Cash - restricted	98,227	169,311	267,538
Cash with agent	-	154	154
Capital assets not being depreciated	1,661,481	7,027	1,668,508
Capital assets, net of accumulated depreciation	2,485,720	4,295,255	6,780,975
Total noncurrent assets	4,245,428	4,471,747	8,717,175
<b>TOTAL ASSETS</b>	6,702,074	6,774,820	13,476,894
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	30,565	77,019	107,584
Other accrued liabilities	43,287	826	44,113
Accrued interest payable	42,864	54,111	96,975
Current portion of compensated absences	28,074	-	28,074
Current portion of long-term debt	367,301	330,810	698,111
Total current liabilities	512,091	462,766	974,857
Noncurrent liabilities			
Noncurrent portion of compensated absences	9,358	-	9,358
Noncurrent portion of long-term debt	2,876,384	4,344,584	7,220,968
Total noncurrent liabilities	2,885,742	4,344,584	7,230,326
<b>TOTAL LIABILITIES</b>	3,397,833	4,807,350	8,205,183
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	903,516	(373,112)	530,404
Restricted for			
Debt service	452,527	169,311	621,838
Other purposes	553,540	-	553,540
Unrestricted	1,394,658	2,171,271	3,565,929
<b>TOTAL NET ASSETS</b>	\$ 3,304,241	\$ 1,967,470	\$ 5,271,711

See accompanying notes to financial statements.



City of Linden

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 368,247	\$ 274,621	\$ 572,336	\$ 1,215,204
Cash and cash equivalents - restricted	98,227	-	-	98,227
Investments	117,001	19,667	3,049	139,717
Receivables				
Accounts	40,919	-	1,301	42,220
Taxes	828	-	-	828
Special assessments	31,408	20,545	868,954	920,907
Prepays	3,185	-	-	3,185
Due from other governmental units	79,445	-	-	79,445
<b>TOTAL ASSETS</b>	<b>\$ 739,260</b>	<b>\$ 314,833</b>	<b>\$ 1,445,640</b>	<b>\$ 2,499,733</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,388	\$ 24,177	\$ -	\$ 30,565
Accrued wages	38,521	134	302	38,957
Other accrued liabilities	3,921	-	-	3,921
Deferred revenue	24,302	16,481	742,889	783,672
<b>TOTAL LIABILITIES</b>	<b>73,132</b>	<b>40,792</b>	<b>743,191</b>	<b>857,115</b>
<b>FUND BALANCES</b>				
Reserved for				
Retiree health care	-	-	63,270	63,270
Perpetual care	-	-	90,713	90,713
Debt service	-	-	495,391	495,391
Cable performance deposit	2,500	-	-	2,500
Public education grant	37,484	-	-	37,484
Mill Building	95,727	-	-	95,727
Prepays	3,185	-	-	3,185
Unreserved				
Designated for subsequent year's expenditures	66,700	81,313	14,565	162,578
Undesignated, reported in				
General fund	460,532	-	-	460,532
Special revenue funds	-	192,728	38,510	231,238
<b>TOTAL FUND BALANCES</b>	<b>666,128</b>	<b>274,041</b>	<b>702,449</b>	<b>1,642,618</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 739,260</b>	<b>\$ 314,833</b>	<b>\$ 1,445,640</b>	<b>\$ 2,499,733</b>

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

**Total fund balance - total governmental funds** **\$ 1,642,618**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,205,453	
Accumulated depreciation is	<u>(1,058,252)</u>	
Capital assets, net		4,147,201

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the Internal Service Fund is included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in the Internal Service Fund	368,293	
Net capital assets of the Internal Service Fund included in total capital assets above	(521,662)	
Long-term liabilities of the Internal Service Fund included in total long-term liabilities below	<u>208,100</u>	
		54,731

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue		783,672
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Long-term debt payable	3,243,685	
Accrued interest payable	42,864	
Compensated absences	<u>37,432</u>	
		<u>(3,323,981)</u>

<b>Net assets of governmental activities</b>		<b><u>\$ 3,304,241</u></b>
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See accompanying notes to financial statements.

City of Linden

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,038,765	\$ -	\$ -	\$ 1,038,765
Licenses and permits	77,014	-	-	77,014
Intergovernmental	347,513	138,125	49,879	535,517
Charges for services	380,258	-	-	380,258
Fines and forfeits	29,866	-	-	29,866
Interest and rents	24,871	4,481	57,623	86,975
Other	24,023	6,288	135,665	165,976
TOTAL REVENUES	1,922,310	148,894	243,167	2,314,371
EXPENDITURES				
Current				
General government	915,961	-	-	915,961
Public safety	743,918	-	-	743,918
Public works	201,675	338,135	56,823	596,633
Recreation and cultural	13,297	-	-	13,297
Capital outlay	3,951	-	-	3,951
Debt service	62,287	94,855	259,707	416,849
TOTAL EXPENDITURES	1,941,089	432,990	316,530	2,690,609
EXCESS OF REVENUES (UNDER) EXPENDITURES	(18,779)	(284,096)	(73,363)	(376,238)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	325,500	-	325,500
Transfers in	1,413	-	94,960	96,373
Transfers out	(61,210)	(33,750)	(1,413)	(96,373)
TOTAL OTHER FINANCING SOURCES (USES)	(59,797)	291,750	93,547	325,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(78,576)	7,654	20,184	(50,738)
Fund balances, beginning of year	744,704	266,387	682,265	1,693,356
Fund balances, end of year	\$ 666,128	\$ 274,041	\$ 702,449	\$ 1,642,618

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

**Net change in fund balances - total governmental funds** \$ (50,738)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 471,227	
Depreciation expense	(181,098)	
Excess of depreciation expense over capital outlay		290,129

Management uses an Internal Service Fund to charge the costs of certain activities to individual funds.

Decrease in Net Assets of the Internal Service Fund	(10,449)	
Depreciation expense of the Internal Service Fund included in the total above	85,485	
Capital outlay of the Internal Service Fund included in the total above	(82,245)	
Loan principal retirement of the Internal Service Fund included in the total below	(35,314)	
Increase in accrued interest payable of the Internal Service Fund included in the total below	(1,459)	
		(43,982)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in deferred revenue	(145,524)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Debt proceeds	(325,500)	
Repayment of long-term debt	323,746	
		(1,754)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(7,563)	
Decrease in accrued compensated absences	5,917	
		(1,646)

**Change in net assets of governmental activities** \$ 46,485

See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 557,529	\$ 741,626	\$ 1,299,155	\$ 67,766
Investments	716,882	-	716,882	3,200
Accounts receivable	78,396	125,861	204,257	-
Special assessments receivable	-	40,103	40,103	-
Inventories	-	26,850	26,850	-
Total current assets	1,352,807	934,440	2,287,247	70,966
Noncurrent assets				
Cash and cash equivalents - restricted	-	169,311	169,311	-
Cash with agent	154	-	154	-
Capital assets not being depreciated	-	7,027	7,027	-
Capital assets, net of accumulated depreciation	2,445,855	1,849,400	4,295,255	521,662
Total noncurrent assets	2,446,009	2,025,738	4,471,747	521,662
<b>TOTAL ASSETS</b>	<b>3,798,816</b>	<b>2,960,178</b>	<b>6,758,994</b>	<b>592,628</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	-	77,019	77,019	-
Accrued wages	95	731	826	409
Accrued interest payable	39,841	14,270	54,111	10,936
Current portion of long-term debt	169,764	161,046	330,810	37,336
Total current liabilities	209,700	253,066	462,766	48,681
Noncurrent liabilities				
Bonds and notes payable	2,487,898	1,856,686	4,344,584	159,828
<b>TOTAL LIABILITIES</b>	<b>2,697,598</b>	<b>2,109,752</b>	<b>4,807,350</b>	<b>208,509</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(211,807)	(161,305)	(373,112)	324,498
Restricted for debt service	-	169,311	169,311	-
Unrestricted	1,313,025	842,420	2,155,445	59,621
<b>TOTAL NET ASSETS</b>	<b>\$ 1,101,218</b>	<b>\$ 850,426</b>	<b>\$ 1,951,644</b>	<b>\$ 384,119</b>

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF  
NET ASSETS TO THE STATEMENT OF NET ASSETS

June 30, 2005

<b>Net assets - total enterprise funds</b>	<b>\$ 1,951,644</b>
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service are included in business-type activities.

Add: portion of net assets of business-type activities accounted for in the internal service fund	<u>15,826</u>
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<b>Net assets of business-type activities</b>	<b><u><u>\$ 1,967,470</u></u></b>
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See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS

Year Ended June 30, 2005

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 499,478	\$ 237,869	\$ 737,347	\$ 140,836
Tap fees	147,000	141,000	288,000	-
Other revenue	366	-	366	-
<b>TOTAL OPERATING REVENUES</b>	<b>646,844</b>	<b>378,869</b>	<b>1,025,713</b>	<b>140,836</b>
OPERATING EXPENSES				
Salaries and wages	6,201	40,203	46,404	12,403
Fringe benefits	491	4,515	5,006	1,106
Administration fees	48,880	60,865	109,745	-
Contractual services	281,908	1,150	283,058	-
Supplies	500	42,869	43,369	20,356
Communications	1,051	2,947	3,998	-
Insurance	2,841	614	3,455	5,481
Repairs and maintenance	6,186	34,093	40,279	16,618
Equipment rental	-	1,106	1,106	-
Depreciation	96,805	135,688	232,493	85,485
Other	3,319	18,240	21,559	-
<b>TOTAL OPERATING EXPENSES</b>	<b>448,182</b>	<b>342,290</b>	<b>790,472</b>	<b>141,449</b>
<b>OPERATING INCOME (LOSS)</b>	<b>198,662</b>	<b>36,579</b>	<b>235,241</b>	<b>(613)</b>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	28,216	6,557	34,773	1,215
Interest expense and fees	(145,612)	(51,142)	(196,754)	(11,500)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(117,396)</b>	<b>(44,585)</b>	<b>(161,981)</b>	<b>(10,285)</b>
<b>CHANGE IN NET ASSETS</b>	<b>81,266</b>	<b>(8,006)</b>	<b>73,260</b>	<b>(10,898)</b>
Net assets, beginning of year	2,452,377	942,356	3,394,733	395,017
Prior period adjustments	(1,432,425)	(83,924)	(1,516,349)	-
<b>Net assets, end of year</b>	<b>\$ 1,101,218</b>	<b>\$ 850,426</b>	<b>\$ 1,951,644</b>	<b>\$ 384,119</b>

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND  
NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

<b>Change in net assets - total enterprise funds</b>	\$ 73,260
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with business-type activities

Less: net operating loss from business-type activities accounted for in internal service fund	<u>(449)</u>
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<b>Change in net assets of business-type activities</b>	<u><u>\$ 72,811</u></u>
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See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Business-type Activities	
	Sewer	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 656,941	\$ 378,191
Cash paid to vendors	(346,272)	(168,555)
Cash paid for employee benefits	(5,767)	(38,445)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>304,902</b>	<b>171,191</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(35,986)	(611,416)
Bond proceeds	-	1,087,000
Payments on borrowings	(151,340)	(116,958)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(187,326)</b>	<b>358,626</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(356,672)	-
Interest revenue	28,216	6,557
Interest expense and fees	(145,612)	(51,142)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(474,068)</b>	<b>(44,585)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(356,492)</b>	<b>485,232</b>
Cash and cash equivalents, beginning of year	914,175	425,705
Cash and cash equivalents, end of year	<u>\$ 557,683</u>	<u>\$ 910,937</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ 198,662	\$ 36,579
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	96,805	135,688
(Increase) in accounts receivable	(28,758)	(2,612)
Decrease in special assessments receivable	38,855	1,934
(Increase) in inventories	-	(5,801)
(Decrease) in accounts payable	(1,587)	(870)
Increase (decrease) in accrued liabilities	925	6,273
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 304,902</b></u>	<u><b>\$ 171,191</b></u>

See accompanying notes to financial statements.

<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,035,132	\$ 140,836
(514,827)	(42,455)
<u>(44,212)</u>	<u>(14,666)</u>
476,093	83,715
(647,402)	(82,245)
1,087,000	-
<u>(268,298)</u>	<u>(35,314)</u>
171,300	(117,559)
(356,672)	(3,200)
34,773	1,215
<u>(196,754)</u>	<u>(11,500)</u>
<u>(518,653)</u>	<u>(13,485)</u>
128,740	(47,329)
<u>1,339,880</u>	<u>115,095</u>
<u>\$ 1,468,620</u>	<u>\$ 67,766</u>
\$ 235,241	\$ (613)
232,493	85,485
(31,370)	-
40,789	-
(5,801)	-
(2,457)	-
<u>7,198</u>	<u>(1,157)</u>
<u>\$ 476,093</u>	<u>\$ 83,715</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Linden is located in Genesee County, Michigan and has a population of approximately 3,600. The City operates with a City Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Linden (primary government). The City has no activities that would be classified as component units.

2. Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Southern Lakes Regional Metropolitan Parks and Recreation Commission - The City is a member of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (SLP&R), which is a joint venture between the City of Linden, City of Fenton, and the Township of Fenton. The City appoints two (2) of the six (6) members of the governing board. SLP&R provides recreational activities for the common interest and welfare of all residents of the Southern Lakes Regional Metropolitan District.

The financial activities of SLP&R are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2004, are available at SLP&R's administrative offices. As of December 31, 2004, SLP&R had a fund balance of \$131,099.

Loose Senior Citizens Center, Inc. - The City is a member of the Loose Senior Citizens Center (LSCC) and appoints one (1) governing board member. LSCC provides a non-residential activity center to older people in the Southern Genesee County area.

The financial activities of LSCC are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2004, are available at LSCC's administrative offices. As of December 31, 2004, LSCC had net assets of \$940,502.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's major streets.
- c. The Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water Fund accounts for the activities of the government's water distribution and treatment system, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. On or before the first regular council meeting in May, by resolution, the budget is legally enacted at the activity level for the General and Special Revenue Funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
- d. The Council is authorized to transfer budgeted amounts from one department or fund to another.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting - continued

- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations not encumbered lapse at the end of the fiscal year.
- g. The original budget was amended during the year in compliance with the City Charter and applicable State laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City and are presented at the activity level.
- h. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds.

7. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

8. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

9. Property Tax

The City of Linden bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Linden on July 1 and are payable without penalty through September 15. All real property taxes not paid to the City by March 1 are turned over to the Genesee County Treasurer for collection. The Genesee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 13.50 mills (\$13.50 per \$1,000 of taxable valuation), which has been permanently reduced to 11.1295 mills because of millage reduction fractions, for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2005, the City levied 11.1295 mills per \$1,000 of taxable valuation for general governmental services. The City also levies 0.3418 mills for mosquito control, which is also the maximum allowed (as reduced). The total taxable value of the 2004 levy for property within the City was \$93,207,128.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Water System Fund consist of supplies which are stated at cost on a first-in/first-out basis.

11. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include land, buildings and equipment, and water and sewer systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental or business-type activities columns as applicable. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 30 years
Equipment	5 - 10 years
Water and sewer systems	20 - 100 years
Infrastructure	20 years

14. Deferred Revenue

Deferred revenue consists of amounts related to special assessments receivable in future periods. None of these amounts are deferred in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The City utilizes a pooled cash account for approximately fourteen (14) funds. The City's pooled cash account consists of a checking account.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, the Permanent Fund, and the Enterprise Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements.

The other funds of the City utilize separate savings and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,008,355	\$ 1,107,049
Savings	361,423	361,810
Certificates of deposit	<u>1,224,180</u>	<u>1,224,180</u>
Total Primary Government	<u>\$ 2,593,958</u>	<u>\$ 2,693,039</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2005, the City accounts were insured by the FDIC for \$700,000 and the amount of \$1,993,039 was uninsured and uncollateralized.

Investments

As of June 30, 2005, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Standard Federal - Public Funds Investment Trust	\$ 169,311	\$ 169,671	1 day
MBIA - Michigan Class	<u>946,193</u>	<u>948,475</u>	29 days
	<u>\$ 2,339,684</u>	<u>\$ 2,342,326</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, the Public Funds Investment Trust was rated AAAM by Standard and Poor's. The MBIA - Michigan Class investment is not rated.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

As of June 30, 2005, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents and investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,282,970	\$ 1,299,155	\$ 2,582,125
Cash and cash equivalents - restricted	98,227	169,311	267,538
Investments	<u>142,917</u>	<u>716,882</u>	<u>859,799</u>
	<u>\$ 1,522,114</u>	<u>\$ 2,185,348</u>	<u>\$ 3,709,462</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

**NOTE C: RESTRICTED CASH AND CASH EQUIVALENTS**

The following summarizes the restricted cash and cash equivalents as of June 30, 2005:

	<u>Cable Performance Deposit</u>	<u>Mill Building Improvements</u>	<u>Debt Retirement</u>	<u>Total</u>
General Fund	\$ 2,500	\$ 95,727	\$ -	\$ 98,227
Water Fund	<u>-</u>	<u>-</u>	<u>169,311</u>	<u>169,311</u>
	<u>\$ 2,500</u>	<u>\$ 95,727</u>	<u>\$ 169,311</u>	<u>\$ 267,538</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 1,413</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 61,210
Major Street Fund	<u>33,750</u>
	<u>\$ 94,960</u>

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Restated Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 84,069	\$ -	\$ -	\$ 84,069
Construction in progress	<u>2,660,940</u>	<u>330,780</u>	<u>( 1,414,308 )</u>	<u>1,577,412</u>
Subtotal of capital assets not being depreciated	2,745,009	330,780	( 1,414,308 )	1,661,481
Capital assets being depreciated				
Infrastructure	-	1,414,308	-	1,414,308
Buildings and improvements	993,511	17,800	-	1,011,311
Equipment	<u>995,706</u>	<u>122,647</u>	<u>-</u>	<u>1,118,353</u>
Subtotal of capital assets being depreciated	1,989,217	1,554,755	-0-	3,543,972
Less accumulated depreciation for				
Infrastructure	-	( 37,179 )	-	( 37,179 )
Buildings and improvements	( 417,965 )	( 55,470 )	-	( 473,435 )
Equipment	<u>( 459,189 )</u>	<u>( 88,449 )</u>	<u>-</u>	<u>( 547,638 )</u>
Subtotal	<u>( 877,154 )</u>	<u>( 181,098 )</u>	<u>-0-</u>	<u>( 1,058,252 )</u>
Net capital assets being depreciated	<u>1,112,063</u>	<u>1,373,657</u>	<u>-0-</u>	<u>2,485,720</u>
Capital assets, net	<u>\$ 3,857,072</u>	<u>\$ 1,704,437</u>	<u>\$( 1,414,308 )</u>	<u>\$ 4,147,201</u>

City of Linden  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE E: CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the following governmental activities:

General government	\$ 56,224
Public safety	48,759
Public works	<u>76,115</u>
Total depreciation expense	<u>\$ 181,098</u>

	<u>Restated Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,027	\$ -	\$ -	\$ 7,027
Capital assets being depreciated				
Buildings	3,608,814	-	-	3,608,814
Sewer system	418,955	35,986	-	454,941
Water system	<u>2,546,399</u>	<u>611,416</u>	<u>-</u>	<u>3,157,815</u>
Subtotal of capital assets being depreciated	6,574,168	647,402	-0-	7,221,570
Less accumulated depreciation for				
Buildings	(1,436,244 )	( 72,176 )	-	(1,508,420 )
Sewer System	( 84,851 )	( 24,629 )	-	( 109,480 )
Water System	<u>(1,172,727 )</u>	<u>( 135,688 )</u>	<u>-</u>	<u>(1,308,415 )</u>
Subtotal	<u>(2,693,822 )</u>	<u>( 232,493 )</u>	<u>-0-</u>	<u>(2,926,315 )</u>
Net capital assets being depreciated	<u>3,880,346</u>	<u>414,909</u>	<u>-0-</u>	<u>4,295,255</u>
Capital assets, net	<u>\$ 3,887,373</u>	<u>\$ 414,909</u>	<u>\$ -0-</u>	<u>\$ 4,302,282</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amount Due Within One Year
<b>Governmental Activities</b>					
2003 East Street Drain Loan	\$ 137,143	\$ -	\$ 22,857	\$ 114,286	\$ 22,857
2004 Boardwalk Trail Loan	100,000	-	32,533	67,467	33,327
2005 Parking Lot Loan	-	325,500	-	325,500	40,739
1991 General Obligation Bonds	30,000	-	15,000	15,000	15,000
1997 General Obligation Bonds	140,000	-	15,000	125,000	15,000
2000 General Obligation Bonds	310,000	-	20,000	290,000	20,000
2002 General Obligation Bonds	535,000	-	30,000	505,000	30,000
2003 General Obligation Bonds	377,310	-	23,042	354,268	23,042
1991 Special Assessment Bonds	20,000	-	10,000	10,000	10,000
1992 Special Assessment Bonds	45,000	-	15,000	30,000	15,000
1996 Special Assessment Bonds	120,000	-	15,000	105,000	15,000
2000-A Special Assessment Bonds	220,000	-	20,000	200,000	20,000
2001 Special Assessment Bonds	275,000	-	20,000	255,000	20,000
2002 Special Assessment Bonds	325,000	-	25,000	300,000	25,000
2003 Special Assessment Bonds	375,000	-	25,000	350,000	25,000
Compensated Absences	43,349	-	5,917	37,432	28,074
	3,052,802	325,500	294,349	3,083,953	358,039
<b>Internal Service Fund</b>					
2000 Saber Pumper Fire Truck	103,998	-	23,791	80,207	25,206
2002 Pierce Pumper Fire Truck	128,480	-	11,523	116,957	12,130
	232,478	-0-	35,314	197,164	37,336
Total governmental activities	\$ 3,285,280	\$ 325,500	\$ 329,663	\$ 3,281,117	\$ 395,375
<b>Business-type Activities</b>					
1997 Water Supply System	\$ 100,000	\$ -	\$ 25,000	\$ 75,000	\$ 25,000
1997 Water Supply System	60,000	-	30,000	30,000	30,000
2000-A Water Supply System	360,000	-	25,000	335,000	25,000
2001 Water Supply System	250,000	-	20,000	230,000	20,000
2003 General Obligation Bonds	277,690	-	16,958	260,732	16,958
2005 Water Well House Bonds	-	137,000	-	137,000	44,088
2005 Capital Improvement Bonds	-	950,000	-	950,000	-
1998-A Sewage Disposal Bonds	854,742	-	25,004	829,738	34,874
1998-A Sewage Disposal Bonds	1,954,260	-	1,829,240	125,020	125,020
2005 Sewage Disposal Refunding Bonds	-	1,702,904	-	1,702,904	9,870
Total business-type activities	3,856,692	2,789,904	1,971,202	4,675,394	330,810
	\$ 7,141,972	\$ 3,115,404	\$ 2,300,865	\$ 7,956,511	\$ 726,185

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**Installment Loans

\$160,000 Installment purchase agreement dated February 5, 2003, due in annual installments of \$22,857 through February 5, 2010, with interest at 3.25 percent, payable semi-annually.	\$ 114,286
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\$100,000 Installment purchase agreement dated October 15, 2004, due in annual installments ranging from \$33,327 to \$34,140 through October 15, 2006, with interest at 2.44 percent, payable annually.	67,467
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\$325,500 Installment purchase agreement dated September 1, 2004, due in annual installments of ranging from \$40,739 to \$52,688 through September 1, 2011, with interest at 4.38 percent, payable annually.	325,500
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\$297,651 Installment purchase agreement dated July 10, 2000, due in annual installments of ranging from \$25,206 to \$28,295 through July 10, 2007, with interest at 5.95 percent, payable annually.	80,207
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\$139,425 Installment purchase agreement dated July 25, 2002, due in annual installments of ranging from \$12,130 to \$17,378 through July 25, 2012, with interest at 5.72 percent, payable annually.	116,957
	<u>\$ 704,417</u>

General Obligation Bonds

\$150,000 Limited Tax General Obligation Transportation Bonds dated August 1, 1991, due in annual installments of \$15,000 through August 1, 2005, with interest at 6.90 percent, payable semi-annually.	\$ 15,000
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\$230,000 Limited Tax General Obligation Transportation Bonds dated May 1, 1997, due in annual installments ranging from \$15,000 to \$20,000 through November 1, 2011, with interest ranging from 5.10 to 5.70 percent, payable semi-annually.	125,000
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\$365,000 Limited Tax General Obligation Transportation Bonds dated November 1, 2000, due in annual installments ranging from \$20,000 to \$35,000 through November 1, 2014, with interest ranging from 5.30 to 6.00 percent, payable semi-annually.	290,000
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\$590,000 Limited Tax General Obligation Transportation Bonds dated June 1, 2002, due in annual installments ranging from \$30,000 to \$55,000 through May 1, 2017, with interest ranging from 3.75 to 4.85 percent, payable semi-annually.	505,000
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\$277,690 Limited Tax General Obligation Bonds dated July 1, 2003, due in annual installments ranging from \$16,958 to \$25,437 through July 1, 2017, with interest ranging from 2.00 to 4.20 percent, payable semi-annually.	260,732
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\$377,310 Limited Tax General Obligation Transportation Bonds dated July 1, 2003, due in annual installments ranging from \$23,042 to \$34,563 through July 1, 2017, with interest ranging from 2.00 to 4.20 percent, payable semi-annually.	354,268
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City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**

General Obligation Bonds - continued

\$137,000 2005 Water Well House Revenue Bonds dated May 1, 2005, due in annual installments ranging from \$44,088 to \$47,255 through May 1, 2008, with interest at 3.5 percent, payable annually. \$ 137,000

\$950,000 2005 Capital Improvement Bonds dated November 1, 2005, due in annual installments ranging from \$30,000 to \$70,000 through May 1, 2025, with interest ranging from 4.10 to 4.70 percent, payable semi-annually. 950,000

\$939,624 1998-A Sewage Disposal Bonds dated April 1, 1998, due in annual installments ranging from \$34,874 to \$120,414 through May 1, 2019, with interest of 5.01 percent, payable semi-annually. 829,738

\$4,495,000 1998-A Sewage Disposal Bonds dated October 1, 1998, due in an annual installment of \$125,050 on April 1, 2006, with interest at 5.20 percent, payable semi-annually. 125,020

\$1,702,904 2005 Sewage Disposal Refunding Bonds dated February 1, 2005, due in annual installments ranging from \$9,870 to \$174,370 through April 1, 2016, with interest ranging from 2.50 to 5.00 percent, payable semi-annually. 1,702,904

\$ 5,294,662

Special Assessment Bonds

\$130,000 1991 Special Assessment Bonds dated November 1, 1991, due in annual installments of \$10,000 through November 1, 2005, with interest at 7.20 percent, payable semi-annually. \$ 10,000

\$205,000 1992 Special Assessment Bonds dated June 1, 1992, due in annual installments of \$15,000 through November 1, 2006, with interest at 6.45 percent, payable semi-annually. 30,000

\$225,000 1996 Special Assessment Bonds dated September 1, 1996, due in annual installments of \$15,000 through November 1, 2011, with interest ranging from 5.30 to 5.90 percent, payable semi-annually. 105,000

\$265,000 2000-A Special Assessment Bonds dated November 1, 2000, due in annual installments of \$20,000 through November 1, 2014, with interest ranging from 5.30 to 6.00 percent, payable semi-annually. 200,000

\$315,000 2001 Special Assessment Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$25,000 through November 1, 2015, with interest ranging from 4.20 to 5.25 percent, payable semi-annually. 255,000

\$355,000 2002 Special Assessment Bonds dated June 1, 2002, due in annual installments of \$25,000 through November 1, 2016, with interest ranging from 3.70 to 4.80 percent, payable semi-annually. 300,000

\$375,000 2003 Special Assessment Bonds dated July 1, 2003, due in annual installments ranging from \$25,000 to \$30,000 through July 1, 2017, with interest ranging from 2.20 to 4.20 percent, payable semi-annually. 350,000

\$ 1,250,000

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**Water Supply and Sewer System Revenue Bonds

\$220,000 1997 Water Supply System Revenue Bonds dated May 1, 1997, due in annual installments of \$25,000 through November 1, 2007, with interest ranging from 5.50 to 5.70 percent, payable semi-annually. \$ 75,000

\$190,000 1997 Water Supply System Revenue Bonds dated May 1, 1997, due in annual installments of \$30,000 through November 1, 2005, with interest at 5.20 percent, payable semi-annually. 30,000

\$440,000 2000-A Water Supply System Revenue Bonds dated November 1, 2000, due in annual installments ranging from \$25,000 to \$45,000 through May 1, 2015, with interest ranging from 5.40 to 6.00 percent, payable semi-annually. 335,000

\$285,000 2001 Water Supply System Revenue Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$40,000 through May 1, 2013, with interest ranging from 4.20 to 5.00 percent, payable semi-annually. 230,000

\$ 670,000

Advance Refunding - Current

On February 1, 2005 the City defeased a portion of the 1998-A Sewage Disposal Bonds which were due and payable April 1, 2007 through April 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2005 Sewage Disposal Refunding Bonds in the amount of \$1,702,904 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the City's financial statements. At June 30, 2005, bonds due and payable April 1, 2007 through April 1, 2016 for 1998 Sewage Disposal Bonds in the amount of \$1,704,220 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$22,089, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$197,675.

Accrued Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$37,432 at June 30, 2005.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the Bonds, Notes, and other obligations are as follows:

Year Ending June 30,	<u>Installment Loans</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 134,259	\$ 30,553	\$ 333,852	\$ 238,927
2007	138,996	25,074	369,633	212,863
2008	108,980	19,373	381,495	199,926
2009	83,338	14,295	345,820	186,273
2010	86,112	10,777	368,058	172,769
2011-2015	152,732	12,140	2,008,206	620,655
2016-2020	-	-	1,157,598	197,402
2021-2025	-	-	330,000	47,485
	<u>\$ 704,417</u>	<u>\$ 112,212</u>	<u>\$ 5,294,662</u>	<u>\$ 1,876,300</u>

Year Ending June 30,	<u>Special Assessment Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 130,000	\$ 52,785	\$ 100,000	\$ 34,445
2007	120,000	47,248	70,000	30,088
2008	105,000	42,465	75,000	26,453
2009	105,000	38,065	50,000	23,190
2010	110,000	33,422	65,000	20,590
2011-2015	515,000	94,784	310,000	48,060
2016-2020	165,000	8,564	-	-
	<u>\$ 1,250,000</u>	<u>\$ 317,333</u>	<u>\$ 670,000</u>	<u>\$ 182,826</u>

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

During the year ended June 30, 2005, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public Works	\$ 196,665	\$ 201,675	\$ 5,010
Recreation and cultural	11,300	13,297	1,997
Transfers out	58,050	61,210	3,160

**NOTE H: RETIREMENT PLAN**

The City of Linden Group Pension Plan is a defined contribution pension plan established by the City Council and administered by ICMA, a third party, to provide benefits at retirement to eligible employees. Substantially all full time employees are eligible to participate in the plan. At June 30, 2005, all 12 eligible persons were plan members.

Employees are not required to contribute to the plan. The City is required to contribute 7% of the employee's annual salary.

Contributions made by the City vest 20% per year through year five at which time the employee is fully vested. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the City Council.

During the year, the City's required and actual contributions amounted to \$34,529.

**NOTE I: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE J: POST-EMPLOYMENT HEALTH CARE BENEFITS**

In addition to providing pension benefits, the City provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the City's employees may become eligible for those benefits when they reach age 60 with twenty (20) years of service or age 55 with twenty-five (25) years of service. Under this program the City pays 100% of the cost of health care, including prescription benefits for eligible employees and their spouse at the time of retirement under age 65, and 100% of Medicare supplemental insurance for age 65 or older.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE J: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

The City has established a trust fund (the Trust) for the purpose of providing retiree health care benefits under City policy. Based on an actuarially determined liability and funding schedule, it is the City's intention to fund the Trust at a rate of 14.51% of payroll over the next five years at which time another actuarial valuation will be done.

The Trust is being funded based on 14 employees and potential retirees. The City has no current retirees. Contributions required and made during the year amounted to \$47,900. As of June 30, 2005, there was \$63,270 available for benefits. The total actuarially determined liability for these benefits is \$742,596 and the total unfunded liability was \$733,359 at December 31, 2003, based on the initial actuarial analysis. The City has chosen to fund the Trust based on assumptions of annual cost increases for benefits ranging from 13.0% to 4.5% and an 8% return on investments.

**UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

**NOTE K: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the City has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2005:

General Fund	
Reserved for public education grant	\$ 37,484
Cable performance deposit	2,500
Reserved for Mill Building	95,727
Reserved for prepaids	<u>3,185</u>
	138,896
Nonmajor governmental funds	
Reserved for retiree health care	63,270
Reserved for perpetual care	90,713
Reserved for debt service	<u>495,391</u>
	<u>649,374</u>
Total primary government	<u>\$ 788,270</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE K: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED**

The following are the fund balance designations as of June 30, 2005:

General Fund		
Designated for subsequent year's expenditures	\$	66,700
Major Street Fund		
Designated for subsequent year's expenditures		81,313
Local Street Fund		
Designated for subsequent year's expenditures		<u>14,565</u>
	\$	<u>162,578</u>

**NOTE L: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the net asset restrictions as of June 30, 2005:

Governmental activities		
Debt service	\$	<u>452,527</u>
Other purposes		
Perpetual care	\$	90,713
Public education grant		37,484
Cable performance deposit		2,500
Mill Building		95,727
Highways and streets		<u>327,116</u>
	\$	<u>553,540</u>
Business-type activities		
Debt service	\$	<u>169,311</u>

**NOTE M: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, which were the results of corrections of accounting errors. These adjustments were reported as changes to beginning net assets and affect both the fund financial statements and the government-wide financial statements. The effect of operations and other affected balances for the current and prior year are as follows:

		June 30,		
		<u>2005</u>	<u>2004</u>	<u>Description</u>
Governmental activities				
Capital assets, net	\$	-	\$ 96,289	To correct understated
Net assets - beginning		96,289	-	construction in progress
Business-type activities				
Sewer Fund				
Capital assets, net		-	( 1,432,425 )	To correct overstated
Net assets - beginning		( 1,432,425 )	-	capital assets, net

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE M: PRIOR PERIOD ADJUSTMENTS - CONTINUED**

	<u>2005</u>	June 30, <u>2004</u>	<u>Description</u>
Business-type activities - continued			
Water Fund			
Capital assets, net	\$ -	\$ ( 83,924 )	To correct overstated
Net assets – beginning	( 83,924 )	-	capital assets, net

**NOTE N: BUILDING DEPARTMENT FINANCIAL ACTIVITIES**

The City has elected to report the financial activities of the building department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2005:

Revenues	\$ 31,830
Less: expenditures	( 74,867 )
Less: operating deficit from prior years	<u>( 7,248 )</u>
Total operating deficit, cumulative	<u><u>\$ ( 50,285 )</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

## City of Linden

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,034,300	\$ 1,035,675	\$ 1,038,765	\$ 3,090
Licenses and permits	90,300	88,925	77,014	(11,911)
Intergovernmental - State	249,500	349,060	347,513	(1,547)
Charges for services				
Cemetery	54,100	54,100	48,870	(5,230)
Other	287,580	316,545	331,388	14,843
Fines and forfeits	37,000	37,000	29,866	(7,134)
Interest and rents	15,700	15,300	24,871	9,571
Other				
Special assessments	25,150	5,150	5,152	2
Miscellaneous	244,915	14,000	18,871	4,871
TOTAL REVENUES	2,038,545	1,915,755	1,922,310	6,555
EXPENDITURES				
Current				
General government	1,207,975	973,100	915,961	57,139
Public safety	648,850	756,350	743,918	12,432
Public works	185,950	196,665	201,675	(5,010)
Recreation and cultural	14,300	11,300	13,297	(1,997)
Capital outlay	-	4,000	3,951	49
Debt service				
Principal	55,390	55,390	55,390	-0-
Interest	6,897	6,897	6,897	-0-
TOTAL EXPENDITURES	2,119,362	2,003,702	1,941,089	62,613
EXCESS OF REVENUES (UNDER) EXPENDITURES	(80,817)	(87,947)	(18,779)	69,168
OTHER FINANCING SOURCES (USES)				
Transfer in	-	1,000	1,413	413
Transfers out	-	(58,050)	(61,210)	(3,160)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(57,050)	(59,797)	(2,747)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(80,817)	(144,997)	(78,576)	66,421
Fund balance, beginning of year	744,704	744,704	744,704	-0-
Fund balance, end of year	\$ 663,887	\$ 599,707	\$ 666,128	\$ 66,421

## City of Linden

## Major Street Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State	\$ 135,000	\$ 135,000	\$ 138,125	\$ 3,125
Interest	6,483	6,483	4,481	(2,002)
Other				
Special assessments	3,527	3,527	6,288	2,761
TOTAL REVENUES	145,010	145,010	148,894	3,884
EXPENDITURES				
Public works				
Highways and streets	293,050	487,300	338,135	149,165
Debt service	97,023	97,023	94,855	2,168
TOTAL EXPENDITURES	390,073	584,323	432,990	151,333
EXCESS OF REVENUES (UNDER) EXPENDITURES	(245,063)	(439,313)	(284,096)	155,217
OTHER FINANCING SOURCES (USES)				
Loan proceeds	200,000	350,000	325,500	(24,500)
Transfers out	-	(33,750)	(33,750)	-
TOTAL OTHER FINANCING SOURCES (USES)	200,000	316,250	291,750	(24,500)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(45,063)	(123,063)	7,654	130,717
Fund balance, beginning of year	266,387	266,387	266,387	-0-
Fund balance, end of year	<u>\$ 221,324</u>	<u>\$ 143,324</u>	<u>\$ 274,041</u>	<u>\$ 130,717</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of Linden  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
June 30, 2005

	Special Revenue		Debt	
	Local Street	Retiree Health Care	N. Bridge St.	E. Rolston Rd.
ASSETS				
Cash and cash equivalents	\$ 44,208	\$ 63,270	\$ 1,737	\$ 63
Investments	3,049	-	-	-
Accounts receivable	1,301	-	-	-
Special assessments receivable	12,986	-	3,908	5,727
<b>TOTAL ASSETS</b>	<b>\$ 61,544</b>	<b>\$ 63,270</b>	<b>\$ 5,645</b>	<b>\$ 5,790</b>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued wages	\$ 302	\$ -	\$ -	\$ -
Deferred revenue	8,167	-	-	2,677
<b>TOTAL LIABILITIES</b>	<b>8,469</b>	<b>-0-</b>	<b>-0-</b>	<b>2,677</b>
FUND BALANCES				
Reserved for				
Retiree health care	-	63,270	-	-
Perpetual care	-	-	-	-
Debt service	-	-	5,645	3,113
Unreserved				
Designated for subsequent year's expenditures	14,565	-	-	-
Undesignated	38,510	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>53,075</b>	<b>63,270</b>	<b>5,645</b>	<b>3,113</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 61,544</b>	<b>\$ 63,270</b>	<b>\$ 5,645</b>	<b>\$ 5,790</b>

Service					Permanent Fund Cemetery Perpetual Care	Total
Meadowgreen	E. Broad	W. Broad	Tickner	N. Bridge 2003		
\$ 58,412	\$ 77,816	\$ 88,700	\$ 92,631	\$ 54,786	\$ 90,713	\$ 572,336
-	-	-	-	-	-	3,049
-	-	-	-	-	-	1,301
44,046	118,311	170,005	211,212	302,759	-	868,954
<u>\$ 102,458</u>	<u>\$ 196,127</u>	<u>\$ 258,705</u>	<u>\$ 303,843</u>	<u>\$ 357,545</u>	<u>\$ 90,713</u>	<u>\$ 1,445,640</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302
35,416	99,627	145,996	183,263	267,743	-	742,889
35,416	99,627	145,996	183,263	267,743	-0-	743,191
-	-	-	-	-	-	63,270
-	-	-	-	-	90,713	90,713
67,042	96,500	112,709	120,580	89,802	-	495,391
-	-	-	-	-	-	14,565
-	-	-	-	-	-	38,510
67,042	96,500	112,709	120,580	89,802	90,713	702,449
<u>\$ 102,458</u>	<u>\$ 196,127</u>	<u>\$ 258,705</u>	<u>\$ 303,843</u>	<u>\$ 357,545</u>	<u>\$ 90,713</u>	<u>\$ 1,445,640</u>

City of Linden

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Special Revenue		Debt	
	Local Street	Retiree Health Care	N. Bridge St.	E. Rolston Rd.
REVENUES				
Intergovernmental	\$ 49,879	\$ -	\$ -	\$ -
Interest and rents	2,639	1,034	325	485
Other	6,117	-	3,759	2,677
TOTAL REVENUES	58,635	1,034	4,084	3,162
EXPENDITURES				
Public works	56,823	-	-	-
Debt service	69,544	-	11,080	17,658
TOTAL EXPENDITURES	126,367	-0-	11,080	17,658
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67,732)	1,034	(6,996)	(14,496)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	33,750	47,900	7,000	2,800
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	33,750	47,900	7,000	2,800
EXCESS OF REVENUES AND OTHER FINANCING SOURCES USES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(33,982)	48,934	4	(11,696)
Fund balances, beginning of year	87,057	14,336	5,641	14,809
Fund balances, end of year	\$ 53,075	\$ 63,270	\$ 5,645	\$ 3,113

Service					Permanent Fund Cemetery Perpetual Care	Total
Meadowgreen	E. Broad	W. Broad	Tickner	N. Bridge 2003		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,879
3,926	9,526	11,233	12,968	14,074	1,413	57,623
5,903	19,771	23,208	40,299	33,931	-	135,665
9,829	29,297	34,441	53,267	48,005	1,413	243,167
-	-	-	-	-	-	56,823
21,520	32,125	32,930	38,475	36,375	-	259,707
21,520	32,125	32,930	38,475	36,375	-0-	316,530
(11,691)	(2,828)	1,511	14,792	11,630	1,413	(73,363)
-	-	-	-	-	3,510	94,960
-	-	-	-	-	(1,413)	(1,413)
-0-	-0-	-0-	-0-	-0-	2,097	93,547
(11,691)	(2,828)	1,511	14,792	11,630	3,510	20,184
78,733	99,328	111,198	105,788	78,172	87,203	682,265
<u>\$ 67,042</u>	<u>\$ 96,500</u>	<u>\$ 112,709</u>	<u>\$ 120,580</u>	<u>\$ 89,802</u>	<u>\$ 90,713</u>	<u>\$ 702,449</u>

## City of Linden

## Schedule of Indebtedness

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>INSTALLMENT LOANS</b>				
East Street Drain Installment Loan Payable	8/2/2005	\$ 1,857	\$ 1,857	\$ -
	2/5/2006	24,714	1,857	22,857
	8/5/2006	1,486	1,486	-
	2/5/2007	24,343	1,486	22,857
	8/5/2007	1,114	1,114	-
	2/5/2008	23,971	1,114	22,857
	8/5/2008	743	743	-
	2/5/2009	23,600	743	22,857
	8/5/2009	371	371	-
	2/5/2010	23,229	371	22,858
		<u>\$ 125,428</u>	<u>\$ 11,142</u>	<u>\$ 114,286</u>
Boardwalk Installment Loan Payable	10/15/2005	\$ 34,973	\$ 1,646	\$ 33,327
	10/15/2006	34,973	833	34,140
		<u>\$ 69,946</u>	<u>\$ 2,479</u>	<u>\$ 67,467</u>
Parking Lot Loan Payable	9/1/2005	\$ 54,996	\$ 14,257	\$ 40,739
	9/1/2006	54,996	12,473	42,523
	9/1/2007	54,996	10,610	44,386
	9/1/2008	54,996	8,666	46,330
	9/1/2009	54,996	6,637	48,359
	9/1/2010	54,996	4,520	50,476
	9/1/2011	54,996	2,309	52,687
		<u>\$ 384,972</u>	<u>\$ 59,472</u>	<u>\$ 325,500</u>
2001 Installment Loan Payable - Equipment Fund	7/1/2005	\$ 29,979	\$ 4,773	\$ 25,206
	7/1/2006	29,979	3,273	26,706
	7/1/2007	29,979	1,684	28,295
		<u>\$ 89,937</u>	<u>\$ 9,730</u>	<u>\$ 80,207</u>
2003 Installment Loan Payable - Equipment Fund	7/25/2005	\$ 18,294	\$ 6,164	\$ 12,130
	7/25/2006	18,293	5,524	12,769
	7/25/2007	18,293	4,851	13,442
	7/25/2008	18,294	4,143	14,151
	7/25/2009	18,293	3,397	14,896
	7/25/2010	18,294	2,612	15,682
	7/25/2011	18,294	1,786	16,508
	7/25/2012	18,294	915	17,379
		<u>\$ 146,349</u>	<u>\$ 29,392</u>	<u>\$ 116,957</u>
TOTAL INSTALLMENT LOANS				<u>\$ 704,417</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS</b>				
1991 Transportation Bonds Payable	8/1/2005	\$ 15,518	\$ 518	\$ 15,000

The 1991 Transportation Bonds are subject to optional redemption in whole or in part in integral multiples of \$5,000, on any date on or after February 1, 2003, at the rate of 100% of outstanding principal.

1997A Michigan Transportation Fund Bonds	11/1/2005	\$ 18,390	\$ 3,390	\$ 15,000
	5/1/2006	3,007	3,007	-
	11/1/2006	18,008	3,008	15,000
	5/1/2007	2,617	2,617	-
	11/1/2007	17,618	2,618	15,000
	5/1/2008	2,220	2,220	-
	11/1/2008	22,220	2,220	20,000
	5/1/2009	1,680	1,680	-
	11/1/2009	21,680	1,680	20,000
	5/1/2010	1,130	1,130	-
	11/1/2010	21,130	1,130	20,000
	5/1/2011	570	570	-
	11/1/2011	20,570	570	20,000
		<u>\$ 150,840</u>	<u>\$ 25,840</u>	<u>\$ 125,000</u>

The 1997A Bonds are subject to early redemption in integral multiples of \$5,000. Bonds maturing in 2005 to 2011, inclusive, shall be subject to redemption prior to maturity, at the option of the City, in such order as the City shall determine, on any interest payment date after November 1, 2004.

2002 General Obligation Bonds	11/1/2005	\$ 28,271	\$ 8,271	\$ 20,000
	5/1/2006	7,741	7,741	-
	11/1/2006	32,741	7,741	25,000
	5/1/2007	7,066	7,066	-
	11/1/2007	32,066	7,066	25,000
	5/1/2008	6,385	6,385	-
	11/1/2008	31,385	6,385	25,000
	5/1/2009	5,698	5,698	-
	11/1/2009	35,698	5,698	30,000
	5/1/2010	4,858	4,858	-
	11/1/2010	34,858	4,858	30,000
	5/1/2011	4,003	4,003	-
	11/1/2011	34,003	4,003	30,000
	5/1/2012	3,133	3,133	-
	11/1/2012	38,133	3,133	35,000
	5/1/2013	2,100	2,100	-
	11/1/2013	37,100	2,100	35,000
	5/1/2014	1,050	1,050	-
	11/1/2014	36,050	1,050	35,000
		<u>\$ 382,339</u>	<u>\$ 92,339</u>	<u>\$ 290,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS - CONTINUED</b>				
2000 General Obligation Bonds	11/1/2005	\$ 11,004	\$ 11,004	\$ -
	5/1/2006	41,004	11,004	30,000
	11/1/2006	10,441	10,441	-
	5/1/2007	45,441	10,441	35,000
	11/1/2007	9,768	9,768	-
	5/1/2008	44,767	9,767	35,000
	11/1/2008	9,076	9,076	-
	5/1/2009	44,076	9,076	35,000
	11/1/2009	8,368	8,368	-
	5/1/2010	48,367	8,367	40,000
	11/1/2010	7,538	7,538	-
	5/1/2011	47,537	7,537	40,000
	11/1/2011	6,688	6,688	-
	5/1/2012	51,687	6,687	45,000
	11/1/2012	5,709	5,709	-
	5/1/2013	50,709	5,709	45,000
	11/1/2013	4,708	4,708	-
	5/1/2014	49,707	4,707	45,000
	11/1/2014	3,684	3,684	-
	5/1/2015	53,684	3,684	50,000
	11/1/2015	2,521	2,521	-
	5/1/2016	52,521	2,521	50,000
	11/1/2016	1,334	1,334	-
	5/1/2017	56,334	1,334	55,000
		<u>\$ 666,673</u>	<u>\$ 161,673</u>	<u>\$ 505,000</u>
2003 Special Assessment Bonds	11/1/2005	\$ 21,004	\$ 4,046	\$ 16,958
	5/1/2006	3,877	3,877	-
	11/1/2006	20,835	3,877	16,958
	5/1/2007	3,707	3,707	-
	11/1/2007	20,665	3,707	16,958
	5/1/2008	3,520	3,520	-
	11/1/2008	20,478	3,520	16,958
	5/1/2009	3,321	3,321	-
	11/1/2009	22,399	3,321	19,078
	5/1/2010	3,078	3,078	-
	11/1/2010	22,156	3,078	19,078
	5/1/2011	2,811	2,811	-
	11/1/2011	21,889	2,811	19,078
	5/1/2012	2,525	2,525	-
	11/1/2012	23,723	2,525	21,198
	5/1/2013	2,185	2,185	-
	11/1/2013	23,383	2,185	21,198
	5/1/2014	1,825	1,825	-
	11/1/2014	23,023	1,825	21,198
	5/1/2015	1,444	1,444	-

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS - CONTINUED</b>				
2003 Special Assessment Bonds - continued	11/1/2015	\$ 24,761	\$ 1,444	\$ 23,317
	5/1/2016	1,000	1,000	-
	11/1/2016	24,318	1,000	23,318
	5/1/2017	534	534	-
	11/1/2017	25,971	534	25,437
		<u>\$ 324,432</u>	<u>\$ 63,700</u>	<u>\$ 260,732</u>
2003 General Obligation Bonds	11/1/2005	\$ 28,540	\$ 5,498	\$ 23,042
	5/1/2006	5,267	5,267	-
	11/1/2006	28,309	5,267	23,042
	5/1/2007	5,037	5,037	-
	11/1/2007	28,079	5,037	23,042
	5/1/2008	4,783	4,783	-
	11/1/2008	27,825	4,783	23,042
	5/1/2009	4,513	4,513	-
	11/1/2009	30,435	4,513	25,922
	5/1/2010	4,182	4,182	-
	11/1/2010	30,104	4,182	25,922
	5/1/2011	3,819	3,819	-
	11/1/2011	29,741	3,819	25,922
	5/1/2012	3,430	3,430	-
	11/1/2012	32,232	3,430	28,802
	5/1/2013	2,970	2,970	-
	11/1/2013	31,722	2,970	28,802
	5/1/2014	2,480	2,480	-
	11/1/2014	31,282	2,480	28,802
	5/1/2015	1,961	1,961	-
	11/1/2015	33,644	1,962	31,682
	5/1/2016	1,359	1,359	-
	11/1/2016	33,041	1,359	31,682
	5/1/2017	726	726	-
	11/1/2017	35,290	726	34,564
		<u>\$ 440,771</u>	<u>\$ 86,553</u>	<u>\$ 354,268</u>
2005 Water Well House Bonds	5/1/2006	\$ 48,909	\$ 4,821	\$ 44,088
	5/1/2007	48,909	3,252	45,657
	5/1/2008	48,909	1,654	47,255
		<u>\$ 146,727</u>	<u>\$ 9,727</u>	<u>\$ 137,000</u>
2005 Capital Improvement Bonds	11/1/2005	\$ 20,806	\$ 20,806	\$ -
	5/1/2006	20,806	20,806	-
	11/1/2006	20,806	20,806	-
	5/1/2007	50,806	20,806	30,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS - CONTINUED</b>				
2005 Capital Improvement Bonds - continued	11/1/2007	\$ 20,191	\$ 20,191	\$ -
	5/1/2008	55,191	20,191	35,000
	11/1/2008	19,474	19,474	-
	5/1/2009	54,474	19,474	35,000
	11/1/2009	18,756	18,756	-
	5/1/2010	53,756	18,756	35,000
	11/1/2010	18,039	18,039	-
	5/1/2011	58,039	18,039	40,000
	11/1/2011	17,219	17,219	-
	5/1/2012	57,219	17,219	40,000
	11/1/2012	16,399	16,399	-
	5/1/2013	61,399	16,399	45,000
	11/1/2013	15,476	15,476	-
	5/1/2014	60,476	15,476	45,000
	11/1/2014	14,531	14,531	-
	5/1/2015	59,531	14,531	45,000
	11/1/2015	13,586	13,586	-
	5/1/2016	63,586	13,586	50,000
	11/1/2016	12,536	12,536	-
	5/1/2017	62,536	12,536	50,000
	11/1/2017	11,461	11,461	-
	5/1/2018	66,461	11,461	55,000
	11/1/2018	10,251	10,251	-
	5/1/2019	65,251	10,251	55,000
	11/1/2019	9,028	9,028	-
	5/1/2020	69,028	9,028	60,000
	11/1/2020	7,678	7,678	-
	5/1/2021	67,678	7,678	60,000
	11/1/2021	6,313	6,313	-
	5/1/2022	71,313	6,313	65,000
	11/1/2022	4,818	4,818	-
	5/1/2023	69,818	4,818	65,000
	11/1/2023	3,290	3,290	-
	5/1/2024	73,290	3,290	70,000
	11/1/2024	1,645	1,645	-
	5/1/2025	71,645	1,645	70,000
		<u>\$ 1,474,606</u>	<u>\$ 524,606</u>	<u>\$ 950,000</u>
1998A Sewage Disposal System Installment Contract	10/1/2005	\$ 20,338	\$ 20,338	\$ -
	4/1/2006	55,212	20,338	34,874
	10/1/2006	19,510	19,510	-
	4/1/2007	62,280	19,510	42,770
	10/1/2007	18,494	18,494	-
	4/1/2008	43,498	18,494	25,004
	10/1/2008	17,900	17,900	-
	4/1/2009	42,904	17,900	25,004

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS - CONTINUED</b>				
1998A Sewage Disposal System Installment				
Contract - continued	10/1/2009	\$ 17,306	\$ 17,306	\$ -
	4/1/2010	42,310	17,306	25,004
	10/1/2010	16,713	16,713	-
	4/1/2011	45,665	16,713	28,952
	10/1/2011	16,025	16,025	-
	4/1/2012	52,873	16,025	36,848
	10/1/2012	15,150	15,150	-
	4/1/2013	60,552	15,150	45,402
	10/1/2013	14,060	14,060	-
	4/1/2014	71,306	14,060	57,246
	10/1/2014	12,672	12,672	-
	4/1/2015	83,078	12,672	70,406
	10/1/2015	10,956	10,956	-
	4/1/2016	89,916	10,956	78,960
	10/1/2016	8,982	8,982	-
	4/1/2017	127,422	8,982	118,440
	10/1/2017	6,021	6,021	-
	4/1/2018	126,435	6,021	120,414
	10/1/2018	3,010	3,010	-
	4/1/2019	123,424	3,010	120,414
		<u>\$ 1,224,012</u>	<u>\$ 394,274</u>	<u>\$ 829,738</u>
1998 Sewage Disposal System Installment Contract	10/1/2005	\$ 49,263	\$ 49,263	\$ -
	4/1/2006	174,283	49,263	125,020
		<u>\$ 223,546</u>	<u>\$ 98,526</u>	<u>\$ 125,020</u>
2005 Sewage Disposal Refunding Bonds	10/1/2005	\$ 46,682	\$ 46,682	\$ -
	4/1/2006	44,881	35,011	9,870
	10/1/2006	34,888	34,888	-
	4/1/2007	171,094	34,888	136,206
	10/1/2007	33,015	33,015	-
	4/1/2008	192,251	33,015	159,236
	10/1/2008	30,627	30,627	-
	4/1/2009	196,443	30,627	165,816
	10/1/2009	27,725	27,725	-
	4/1/2010	200,779	27,725	173,054
	10/1/2010	24,696	24,696	-
	4/1/2011	201,040	24,696	176,344
	10/1/2011	20,949	20,949	-
	4/1/2012	198,609	20,949	177,660
	10/1/2012	17,174	17,174	-
	4/1/2013	195,492	17,174	178,318
	10/1/2013	12,939	12,939	-

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>GENERAL OBLIGATION BONDS - CONTINUED</b>				
2005 Sewage Disposal Refunding Bonds - continued	4/1/2014	\$ 189,941	\$ 12,939	\$ 177,002
	10/1/2014	8,735	8,735	-
	4/1/2015	183,763	8,735	175,028
	10/1/2015	4,359	4,359	-
	4/1/2016	178,729	4,359	174,370
		<u>\$ 2,214,811</u>	<u>\$ 511,907</u>	<u>\$ 1,702,904</u>
TOTAL GENERAL OBLIGATION BONDS				<u>\$ 5,294,662</u>
<b>SPECIAL ASSESSMENT BONDS</b>				
1991 Special Assessment Bonds	11/1/2005	<u>\$ 10,360</u>	<u>\$ 360</u>	<u>\$ 10,000</u>
The 1991 Special Assessment Bonds are subject to optional redemption in whole or in part in integral multiples of \$5,000, on any date on or after November 1, 2001, at the rate of 101% of outstanding principal called during November 1, 2001 to October 31, 2002, and 100% of outstanding principal called November 1, 2002 and thereafter.				
1992 Special Assessment Bonds	11/1/2005	\$ 15,968	\$ 968	\$ 15,000
	5/1/2006	488	488	-
	11/1/2006	15,488	488	15,000
		<u>\$ 31,944</u>	<u>\$ 1,944</u>	<u>\$ 30,000</u>
1996A Special Assessment Bonds	11/1/2005	\$ 17,940	\$ 2,940	\$ 15,000
	5/1/2006	2,542	2,542	-
	11/1/2006	17,543	2,543	15,000
	5/1/2007	2,137	2,137	-
	11/1/2007	17,138	2,138	15,000
	5/1/2008	1,725	1,725	-
	11/1/2008	16,725	1,725	15,000
	5/1/2009	1,305	1,305	-
	11/1/2009	16,305	1,305	15,000
	5/1/2010	877	877	-
	11/1/2010	15,878	878	15,000
	5/1/2011	442	442	-
	11/1/2011	15,446	446	15,000
		<u>\$ 126,003</u>	<u>\$ 21,003</u>	<u>\$ 105,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>SPECIAL ASSESSMENT BONDS - CONTINUED</b>				
2000A Special Assessment Bonds	11/1/2005	\$ 25,665	\$ 5,665	\$ 20,000
	5/1/2006	5,135	5,135	-
	11/1/2006	25,135	5,135	20,000
	5/1/2007	4,595	4,595	-
	11/1/2007	24,595	4,595	20,000
	5/1/2008	4,050	4,050	-
	11/1/2008	24,050	4,050	20,000
	5/1/2009	3,500	3,500	-
	11/1/2009	23,500	3,500	20,000
	5/1/2010	2,940	2,940	-
	11/1/2010	22,940	2,940	20,000
	5/1/2011	2,370	2,370	-
	11/1/2011	22,370	2,370	20,000
	5/1/2012	1,790	1,790	-
	11/1/2012	21,790	1,790	20,000
	5/1/2013	1,200	1,200	-
	11/1/2013	21,200	1,200	20,000
	5/1/2014	600	600	-
	11/1/2014	20,600	600	20,000
		<u>\$ 258,025</u>	<u>\$ 58,025</u>	<u>\$ 200,000</u>
2001 Special Assessment Bonds	11/1/2005	\$ 26,133	\$ 6,123	\$ 20,000
	5/1/2006	5,702	5,702	-
	11/1/2006	25,703	5,703	20,000
	5/1/2007	5,272	5,272	-
	11/1/2007	25,273	5,273	20,000
	5/1/2008	4,822	482	-
	11/1/2008	24,823	4,823	20,000
	5/1/2009	4,362	4,362	-
	11/1/2009	29,363	4,363	25,000
	5/1/2010	3,775	3,775	-
	11/1/2010	28,775	3,775	25,000
	5/1/2011	3,175	3,175	-
	11/1/2011	28,175	3,175	25,000
	5/1/2012	2,562	2,562	-
	11/1/2012	27,563	2,563	25,000
	5/1/2013	1,937	1,937	-
	11/1/2013	26,938	1,938	25,000
	5/1/2014	1,300	1,300	-
	11/1/2014	26,300	1,300	25,000
	5/1/2015	656	656	-
	11/1/2015	25,656	656	25,000
		<u>\$ 328,265</u>	<u>\$ 68,915</u>	<u>\$ 255,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>SPECIAL ASSESSMENT BONDS - CONTINUED</b>				
2002 Special Assessment Bonds - Tickner Street	11/1/2005	\$ 31,375	\$ 6,375	\$ 25,000
	5/1/2006	5,913	5,913	-
	11/1/2006	30,912	5,912	25,000
	5/1/2007	5,438	5,438	-
	11/1/2007	30,437	5,437	25,000
	5/1/2008	4,950	4,950	-
	11/1/2008	29,950	4,950	25,000
	5/1/2009	4,450	4,450	-
	11/1/2009	29,450	4,450	25,000
	5/1/2010	3,938	3,938	-
	11/1/2010	28,937	3,937	25,000
	5/1/2011	3,413	3,413	-
	11/1/2011	28,412	3,412	25,000
	5/1/2012	2,875	2,875	-
	11/1/2012	27,875	2,875	25,000
	5/1/2013	2,325	2,325	-
	11/1/2013	27,325	2,325	25,000
	5/1/2014	1,763	1,763	-
	11/1/2014	26,762	1,762	25,000
	5/1/2015	1,188	1,188	-
	11/1/2015	26,187	1,187	25,000
	5/1/2016	600	600	-
	11/1/2016	25,600	600	25,000
		<u>\$ 380,075</u>	<u>\$ 80,075</u>	<u>\$ 300,000</u>
2003 Special Assessment Bonds	11/1/2005	\$ 30,425	\$ 5,425	\$ 25,000
	5/1/2006	5,150	5,150	-
	11/1/2006	30,150	5,150	25,000
	5/1/2007	4,875	4,875	-
	11/1/2007	29,875	4,875	25,000
	5/1/2008	4,600	4,600	-
	11/1/2008	29,600	4,600	25,000
	5/1/2009	4,300	4,300	-
	11/1/2009	29,300	4,300	25,000
	5/1/2010	3,975	3,975	-
	11/1/2010	28,975	3,975	25,000
	5/1/2011	3,625	3,625	-
	11/1/2011	28,625	3,625	25,000
	5/1/2012	3,250	3,250	-
	11/1/2012	28,250	3,250	25,000
	5/1/2013	2,850	2,850	-
	11/1/2013	32,850	2,850	30,000
	5/1/2014	2,340	2,340	-
	11/1/2014	32,340	2,340	30,000
	5/1/2015	1,800	1,800	-
	11/1/2015	31,800	1,800	30,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>SPECIAL ASSESSMENT BONDS - CONTINUED</b>				
2003 Special Assessment Bonds - continued	5/1/2016	\$ 1,230	\$ 1,230	\$ -
	11/1/2016	31,230	1,230	30,000
	5/1/2017	630	630	-
	11/1/2017	30,630	630	30,000
		<u>\$ 432,675</u>	<u>\$ 82,675</u>	<u>\$ 350,000</u>
TOTAL SPECIAL ASSESSMENT BONDS				<u>\$ 1,250,000</u>
<b>WATER AND SEWER SYSTEM REVENUE BONDS</b>				
1997 Water Supply System Revenue Bonds	11/1/2005	\$ 27,100	\$ 2,100	\$ 25,000
	5/1/2006	1,413	1,413	-
	11/1/2006	26,412	1,412	25,000
	5/1/2007	713	713	-
	11/1/2007	25,712	712	25,000
		<u>\$ 81,350</u>	<u>\$ 6,350</u>	<u>\$ 75,000</u>
1998 Water Supply System Revenue Bonds	11/1/2005	<u>\$ 30,780</u>	<u>\$ 780</u>	<u>\$ 30,000</u>
2000-A Water Supply System Revenue Bonds	11/1/2005	\$ 9,674	\$ 9,674	\$ -
	5/1/2006	34,674	9,674	25,000
	11/1/2006	8,999	8,999	-
	5/1/2007	33,999	8,999	25,000
	11/1/2007	8,318	8,318	-
	5/1/2008	38,318	8,318	30,000
	11/1/2008	7,493	7,493	-
	5/1/2009	37,493	7,493	30,000
	11/1/2009	6,653	6,653	-
	5/1/2010	36,653	6,653	30,000
	11/1/2010	5,793	5,798	-
	5/1/2011	40,798	5,798	35,000
	11/1/2011	4,783	4,783	-
	5/1/2012	39,783	4,783	35,000
	11/1/2012	3,750	3,750	-
	5/1/2013	43,750	3,750	40,000
	11/1/2013	2,550	2,550	-
	5/1/2014	42,550	2,550	40,000
	11/1/2014	1,350	1,350	-
	5/1/2015	46,350	1,350	45,000
		<u>\$ 453,731</u>	<u>\$ 118,736</u>	<u>\$ 335,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2005

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
<b>WATER AND SEWER SYSTEM REVENUE BONDS - CONTINUED</b>				
2002 Water Supply System Revenue Bonds	11/1/2005	\$ 5,403	\$ 5,403	\$ -
	5/1/2006	25,402	5,402	20,000
	11/1/2006	4,983	4,983	-
	5/1/2007	24,982	4,982	20,000
	11/1/2007	4,553	4,553	-
	5/1/2008	24,552	4,552	20,000
	11/1/2008	4,103	4,103	-
	5/1/2009	24,102	4,102	20,000
	11/1/2009	3,643	3,643	-
	5/1/2010	38,642	3,642	35,000
	11/1/2010	2,820	2,820	-
	5/1/2011	37,820	2,820	35,000
	11/1/2011	1,980	1,980	-
	5/1/2012	41,980	1,980	40,000
	11/1/2012	1,000	1,000	-
	5/1/2013	41,000	1,000	40,000
		<u>\$ 286,965</u>	<u>\$ 56,965</u>	<u>\$ 230,000</u>
TOTAL WATER SUPPLY AND SEWER SYSTEM REVENUE BONDS				<u>\$ 670,000</u>

City of Linden

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2005

**Taxable Valuation and Tax Rates (last seven years)**

	Taxable Value	Tax Rates (Mills)
1998	\$ 49,355,380	12.0
1999	52,200,914	12.0
2000	57,406,045	12.0
2001	64,697,032	11.8145
2002	71,758,570	11.6526
2003	83,385,000	11.3962
2004	93,207,128	11.4713

2004 State Equalized Valuation: \$ 116,933,700

**2004 Per Capita Valuation (2,861 residents)**

Taxable Value	\$ 32,579
State Equalized Value	40,872
Estimated True Cash Value	81,743

**2004 Tax Base Computation**

By Class

Real Property	\$ 89,964,928	96.52%
Personal Property	3,242,200	3.48%
	<u>\$ 93,207,128</u>	<u>100.00%</u>

By Use

Commercial	\$ 9,793,560	10.51%
Industrial	27,900	0.03%
Residential	80,143,468	85.98%
Personal	3,242,200	3.48%
	<u>\$ 93,207,128</u>	<u>100.00%</u>

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2005

**Major Taxpayers**

The top ten taxpayers in the City and their 2004 Taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	
Consumers Energy	Utility	\$ 1,761,500	
Shiawassee Shores Mobile Home Park	Mobile Home Park	1,415,200	
Spring Meadows Country Club	Country Club	1,331,090	
Mitch Harris Building Company	Developer	1,103,360	
Sheena, Roumel	Property Owner	648,910	
Parkside Place Investments	Apartment Buildings	511,120	
Pieczynski, Glen	Hardware store/property owner	366,500	
McIntyre, James	Property Owner	366,460	
Miller, Russell	Property Owner	347,880	
Creative Land Design	Business	276,500	
		8,128,520	8.72%
	Other Taxpayers	85,078,788	91.28%
		<u>\$ 93,207,308</u>	<u>100.00%</u>

**Tax Levies and Collections**

A history of tax levies and collections for the City is as follows:

<u>Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1, each year</u>	
2004	\$ 1,037,339	\$ 996,718	96.08%
2003	950,356	906,107	95.34%
2002	835,838	805,503	96.37%
2001	764,355	718,460	94.00%
2000	689,083	654,400	94.97%
1999	624,460	590,719	94.60%
1998	591,591	554,544	93.74%
1997	551,618	521,874	94.61%
1996	518,625	489,254	94.34%
1995	468,981	450,081	95.97%
1994	411,151	391,834	95.30%

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2005

**Computation of Direct and Overlapping Debt**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Linden</u>	<u>Amount Applicable to City of Linden</u>
City of Linden	\$ 7,919,079	100%	\$ 7,919,079
Mott Community College	85,580,000	0.86%	735,988
Genesee County	39,637,549	0.92%	364,665
Linden School District	34,150,000	17.40%	5,942,100
Bishop Airport Authority	10,555,000	0.92%	97,106
	<u>\$ 177,841,628</u>		<u>\$ 15,058,938</u>

Note:

The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the government unit is made as security for payment of the associated principal and interest on the bonds.

**Debt Ratios at June 30, 2005**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Per Capita (2,861)	\$ 2,768	\$ 5,264
Ratio to 2004 Taxable Valuation	8.50%	16.16%
Ratio to 2004 State Equalized Valuation	6.77%	12.88%
Ratio to 2004 True Cash Value	3.39%	6.44%

**Pension Fund**

The City pays 7% of its' employees wages to the ICMA Retirement Trust 401(k) Plan. The City's contributions for the past seven fiscal years are as follows:

<u>Year ended June 30,</u>	<u>Amount paid to Pension Fund</u>
2005	\$ 34,029
2004	30,463
2003	33,229
2002	27,915
2001	23,274
1999	17,619
1998	16,238

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2005

**Legal Debt Margin**

Act 279, Public acts of Michigan, 1909, as ammended, provide that the net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. According to Act 279, bonds not included for purposes of calculating the legal debt margin are:

- (1) Special Assessment Bonds
- (2) Transporation Fund Bonds
- (3) Revenue Bonds
- (4) Pollution Abatement Bonds for public health purposes
- (5) Water Resources Commission or court ordered bonds

2004 State Equalized Valuation:		<u>\$ 116,933,700</u>
Debt Limit - 10% of State Equalized Valuation		\$ 11,693,370
Amount of Direct Debt Outstanding	\$ 7,919,079	
Less: Michigan Transportation Fund Bonds	(140,000)	
Special Assessment Bonds	(1,250,000)	
Revenue Bonds	(670,000)	
Installment Contracts	<u>(704,417)</u>	
		<u>5,154,662</u>
Legal debt margin remaining		<u>\$ 6,538,708</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council  
City of Linden  
Linden, Michigan

We have audited the basic financial statements of City of Linden as of and for the year ended June 30, 2005, and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Linden's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the City's management in a separate letter dated August 11, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Linden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Mayor, and the City Council of the City of Linden, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 11, 2005

East Lansing ■ Rochester Hills ■ St. Johns

Principals

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MANAGEMENT LETTER

To the Honorable Mayor and  
Members of the City Council  
City of Linden  
Linden, Michigan

As you know, we have recently completed our audit of the records of the City of Linden, Michigan as of and for the year ended June 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The City Council should consider adopting additional administrative policies and procedures.

Based on our discussions with management, we noted that the City Council has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas over which they are responsible. Specifically, we suggest that the Council develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Disaster recovery plan - We suggest the Council adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the City and detail how the City would continue to operate in the absence of those critical areas of operation.
- b. Code of conduct - We suggest the Council adopt a code of conduct. The code should include a policy on conflicts of interest and the Council should require employees to periodically make a declaration of compliance.
- c. Personnel policy - We suggest the Council review their personnel policies. The City should conduct background checks on all potential employees. The policy should also require mandatory vacations for employees in positions of financial trust, with those duties performed by another employee during that absence.
- d. Accounting policies and procedures manual - We suggest the City formally document any accounting procedures that are currently in place and supplement this with any Council policies that may be required to support those procedures.

2. The Council should amend the City's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the City has not amended their investment policy to addresses the reporting requirements of GASB Statement No. 40.

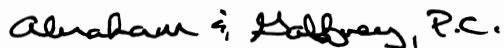
Deposit and investment resources often represent significant assets of the City's governmental and proprietary funds. These resources are necessary for the delivery of the City's services and programs. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the City's ability to provide services and meet its obligations as they become due.

We suggest the Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the City's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated August 11, 2005.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Linden and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 11, 2005